

# SUMMARY ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Wesson Analyst: Roger Lackey Bill Number: AB 1370

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 06-21-99

Attorney: Patrick Kusiak Sponsor:

**SUBJECT:** Employers Notify Employees Of Federal Earned Income Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as amended April 13, 1999.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED April 26, 1999, STILL APPLIES.

OTHER - See comments below.

### SUMMARY OF BILL

This bill would require that all California employers that provide unemployment insurance to their employees to notify their employees of each employee's possible eligibility for the federal earned income credit (EIC).

### SUMMARY OF AMENDMENT

The June 21, 1999, amendment deleted the Legislature's statement of intent to study the fees charged by tax preparers to prepare a claim for the federal EIC.

The department's analysis of AB 1370 as amended April 26, 1999, still applies. The implementation and technical considerations identified in the department's analysis of April 13, 1999, still apply and have been included below.

### Implementation Considerations

The bill would require employers to provide and process employees' forms for advance EIC payments. However, the notice that the employers would be required to provide regarding the potential eligibility for the EIC is not required to mention that the EIC may be received in advance. The author may wish to consider amending the required notice to contain that fact.

Federal law already requires employers to notify employees of their eligibility for the EIC, though a notice on the back of the W-2 is considered sufficient to satisfy this notification requirement. Under this bill, the employer would notify the employee upon his or her initial employment and also would notify the employee again within one week of the distribution of the employee's annual wage summary. Under this bill, the federal notice on the W-2 would not be satisfactory.

### Board Position:

<u>    </u> S	<u>    </u> NA	<u>    </u> NP
<u>    </u> SA	<u>    </u> O	<u>    </u> NAR
<u>    </u> N	<u>    </u> OUA	<u>  X  </u> PENDING

Department/Legislative Director Date

**Johnnie Lou Rosas** **6/28/1999**

It would seem potentially burdensome to require an employer to notify the same employee an additional two times of his or her eligibility for the federal EIC, particularly for employers with a large number of employees.

#### Technical Considerations

The bill lists the notice requirement on employers and the requisite timing of the notice (at the time of employment and annually) as three separate subdivisions (a), (b), and (c). Stylistically, it would be more appropriate to list the requirement as subdivision (a), with the two timing descriptions as paragraphs (1) and (2) within that subdivision.

#### BOARD POSITION

Pending.